

**THE EFFECT OF STRATEGY TO PERFORMANCE IN  
MANUFACTURING BUSINESS  
(Study at Manufacturing Business Exists in Surakarta)**

***Dr. Rahmawati, M.Si, Ak<sup>1</sup> dan Ika Irawati Andayani***

Staf Pengajar Fakultas Ekonomi Universitas Sebelas Maret Surakarta  
dan Alumni Fakultas Ekonomi Universitas Sebelas Maret Surakarta

***ABSTRACT***

*The purpose of this research is to test the influence of strategy and performance at manufacturing business. Strategy in this research is quality-based manufacturing strategies. Quality-based strategy captures employee involvement, process improvements, and cross-departmental coordination. In addition, the performance mentioned in this research is the performance in the organization with the performance measurement of financial measurement and non-financial measurement. The results of this research can benefit to the theory development, managers or manufacture firms, and researchers to test of this research furthermore.*

*The research data is collected from survey at manufacturing business existed in Surakarta. The population of this research is all the manufacturing businesses existed in Surakarta. Purposive sampling method is used to collecting data, and 31 observations are conducted.*

*The result of this research is that there are influences of strategy to performance, firms that place more emphasis more quality in the manufacturing strategy have higher performance only when they match their performance measurement system to their strategy, that is, when they extend their performance measurement to include non-financial measures, not only financial measure.*

*Keywords: Strategy, Performance, Measurement Performance*

**1. INTRODUCTION**

**Background**

Globalization that embraces the world these days have brought changes to business environment and emulation. It does not happen only to the world-class company, but

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<sup>1</sup> Email: rahmaw2005@yahoo.com

also has an effect to domestic, big, middle and also small companies. Company claimed to always proactive in answering to various changes of environment having the character of dynamic by creating and developing business strategy (Wortzel, 1997 in Ellitan, 2006).

This research is to explain one of the factors influencing performance in organization and how big the influence. Such organizations in this research are middle and small manufacturing business scale.

Global competition becomes something that has to be faced by company if wishing to stand at bay and have to have excellence of competitive to be able to compete in global market (Porter, 1980: 54). In this global situation, only company capable to yield service and goods with world-class quality which can compete. Global competition and the increasing of productivities become the important issue coat productivity if wishing to reach excellence of going concern competitive. Besides that, global environment brings influence at change of business strategy and organization (Flaherty, 1996 in Ellitan, 2006).

Some of the changes are among others: 1. Companies will compete at various dimensions, it is not only one company, so that they have to continually improve their business performance and extend product line. 2. Companies get the opportunity to operate internationally and face larger pressure from competitors operating in some states, and 3. Companies will be able to adapt and integrate international operation job/activity network at one state or have branch in other state independently.

There are various types of strategies in the world of business, for example, marketing strategy, innovation, operation, and strategy to compete etc. In internal strategy of company, especially related to human resources, organization needs good personnel and good strategy so that quality from yielded output can be justified to company and in line with company. The strategy can be explained as strategy pursuant to quality, including involvement of employees, progress of process, and inter department coordination.

Every company surely has strategy in course of its organization. Strategies play important role in emulation and performance in the market. The ability of company in vying with the bigger ones is influenced by its quality of strategy. This affair is proven that a good strategy assist company to compete better in market and to increase company performance (Miles, 1978; Porter, 1980; and Strickland Thompson, 1997 in Stede et al., 2006).

Organizations perhaps have clear target and mechanism to reaching it. Most organizations evaluate continually to hit targets, question, verify, and re-define of their way to interact with environment. Effective organization will struggle and look after impetuous market for the goods of their service. Organization that is not effective fails to create a harmony with the market. The organizations also have to continually modify and improve mechanism, so therefore it will reach its targets, readjust role structure and relation, decision making and operation process. Efficient organizations specify mechanism

supporting market strategy, while inefficient organizations struggle to ossify compile process of mechanisms and structure.

Strategy implementation is an action to make something happen. In implementation of strategy, each and everyone participates in course of what happen. However, this matter differs from process formulation of strategy, where only certain people (managers) are involved. Strategy implementation will succeed better if management has ability to manage the existing business process and people. Special duty of management is to create environment that is conducive and motivate employees to work consistently in line with the purpose of organization.

Performance size measurement has a key role in translating organizational strategy into the proposed behaviors and its result (Campbell et al. 2004; and Langfield-Smith Chenhall 1998; and Norton Kaplan 2001; Lillis 2002). Performance criteria also assists to communicate estimate, observing progress, providing feedback and motivate employees through performance pursuant to rewards (Banker et al. 2000; Chenhall 2003; Larcker and Ittner 1998b; Ittner et al. 1997; Ittner, Larcker, Randall 2003 in Stede et al., 2006). But with the existence of new emulation reality from make-up of inuring, responsibility and flexibility, as well as make-up of relation in practice manufacture, academic and also practical and have proved that traditional finance performance size measurement shall no longer last for the function (Dixon et al. 1990; Fisher 1992; Larcker and Ittner 1998a; Neely 1999 in Stede et al. 2006). Some accountancy researchers have identified trust continuing at traditional management accounting system as an especial reason why some new companies have initiative to indicate that traditional finance performance size measurement weaken (Banker et al. 2000; and Larcker Ittner 1995 in Stede et al. 2006).

In business unit storey, affect from strategy implementation in performance is not dug widely. Recently Govindarajan (1988) expressed that strategy implementation influences performance. Evidence concerns with the performance implication from supporter system and harmonization of this strategy still less.

Pursuant to theory growth and practice, can be expressed that performance size measurement play a part in strategy execution and improvement of organizational performance. The statement is flange at 3 matters, that is hit influence differentiation of performance size measurement to performance; relation between strategy pursuant to company and quality using various type in performance size measurement; and also merger influence between performance size measurement and strategy in organization.

By using data survey from 128 manufacturing businesses, it is known that company with broader performance size measurement system, especially including objective size measurement and no financial subjective have better performance.

Company emphasizing quality in course of manufacture tends to use objective size measurement and no more on financial subjective, but without lessening the amount of

financial size measurement. What is more interesting is again, merger of strategy pursuant to quality with extension use objective size measure of no financial, there no its relation with higher-level performance.

The difference of this research with the previous ones, is that this research only uses two simple variables and one just hypothesis, as well as only uses financial performance size measurement and no financial. Besides that, the sample used in this research is also different. This research uses middle and small-scale manufacturing business sample, and it is only taken in just Surakarta town only.

Pursuant to the research background above, hence this research will test the strategy influence to performance in manufacturing business existed in Surakarta. This Research represents replication from research of Stede et al. (2006).

## **2. THEORETICAL FRAMEWORK**

### **Strategy**

Strategy is a long-range plan followed by addressed action to reach specific-purpose that generally is called “victory”. While according to Christensen (in Supriyono, 1990: 23), company strategy is one unity of inwrought and comprehensive corporate planning which needed to reach the target of company.

When strategic planning emerged in the year of 1960's, company leaders saw it as the best way to make an execution and planning utilized to improve competitiveness; every business unit. Planning system is expected to yield best strategy and yield instruction step to strategy execution, so that business manager and executor do not misunderstood him. However as we know, planning does not always work that way, even now there are only some people who really comprehend the reason that strategic planning differs from the strategic. Strategic planning which is practiced as strategic programming represents and develops merger of vision or strategy that have already existed.

At this time, in many organizations, strategy and or vision shall be no longer only known by some of their top managers, but also should be known by everybody in it. For the success of a strategy, it needs the participation from all organizational members both in the plan and in its execution. One of the simple strategies and good for it is SWOT analysis.

A strategic planning is not a strategic idea. Planning is about analysis. Idea of strategic medium is about solidarity entangling creativity and intuition. In fact, strategy requires new invention, no simply process which have existed. Strategy can not be made by all analysts, but they can earn to assist in its growth.

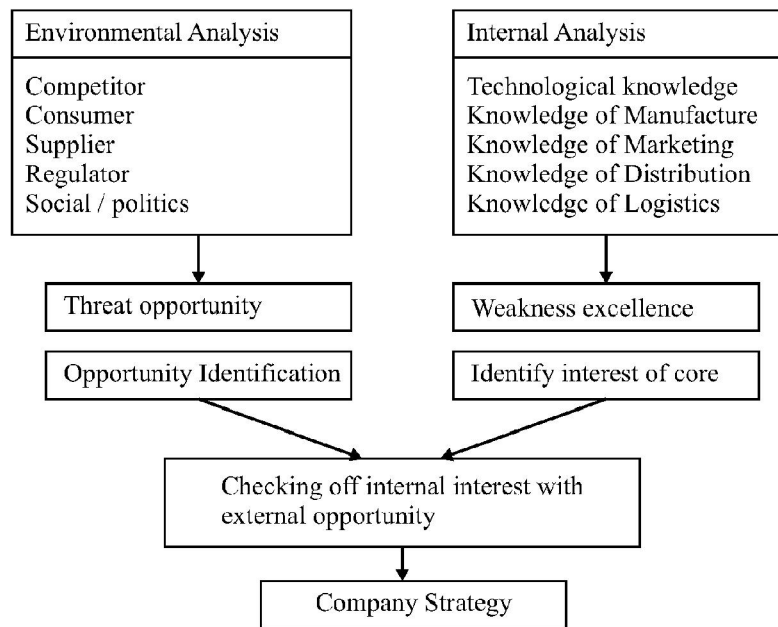
Strategy Formulation represents process to decide the target of strategy and organization to reach the targets. In course of strategy formulation, target of organization is usually

assumed remain though once in a while strategic idea can be focused on target itself. Target in the formulation does not have duration, and will be immanent until the target altered, but that kind of thing seldom happens.

Strategies represent important and big planning. Strategy specify in general instructs the target of movement of wanted organization by senior management. Requirement for the formulation of strategy usually emerges as a respond to accept a threat or the existence of opportunity.

Strategy to face opportunity or threat can arise anywhere and anytime even in an organization. New ideas do not only emerge from team research and company development team but also in fact, it may arise from anyone who possibly has bright idea, which after being analyzed and expostulated can become the foundation to new strategy. Someone or just one organizational unit should not charge upon complete responsibility in formulation of strategy.

According to Andrews (in Govindarajan, 1988), formulation of strategy represents process used by all senior executive to evaluate excellence and weakness referring to existing threat and opportunity in environment and later; decide strategy accommodating between interest of core of environmental opportunity and company.



**Figure 1**

Strategies represent logic constituting an organizational relation with its environment (Dent, 1990), that depicts a way of emulation of business unit in an industry. Porter

(1980: 34) defines emulation of strategy as seeking of position in emulation in market segment, designed to assist business unit obtain; get a beneficial position and sustain in market. Pursuant to statement of Porter (1980: 28) is the seminal business unit through emulation of strategy pursuant to structure is expense of or difference of wide of product. A low expense strategy will look for lowest absolute expense from manufacture process in industry. It needs emphasis to make the expense becomes lower in industry. A company following the strategy will adopt manufacture process, which is focus at product where that low expense and efficiency of vital importance (Palmer, 1992 in Stede et al. 2006). Such as those told by Porter (1980: ), adopting the strategy needs going concern seeking for the activity of efficient operation like scale development produce in economics, use of expense which is a few/little and operation of overhead, evasion of is amount of margin consumer and minimalists of is expense of like in R&D, service, and advertisement.

#### Performance

According to the Minister for Finance of RI pursuant to Decision of No. 740/KMK.00/1989 dated June 28<sup>th</sup>, 1989, performance is reached achievement by company in specified period expressing health storey from the company (Singgih, 2000; in Wahyono, 2002). As reached form of company in time of its effort, is not out of by performance is company side. Hence, if good company performance will yield good achievement, so it will also on the contrary.

To know the reached achievement by company it requires assessment to company performance in certain range of time. Helfert (1999) in Wahyono (2002), please tell that in evaluating/assessing most company performance has importance to company owner for example investor, all managers, creditor, governmental and society. They will assess company of the certain finance size in line with him.

Tied party with everyday activity of company is company management. Manager holds responsibility to the effectiveness and efficiency of the use of other economic resources and fund in management of company, which reflects the growth of company's dividend and profit. In other side all lenders and creditors, both for having the character of short-range and long-range has a concern with the payment of interest and also settled fundamental payment of loan, goodness about payment time and also amount. The ability to fulfill this obligation is marked by asset value owned by company as guarantee to the investment and also guarantee to risk faced by the creditor. Government also has a concern to performance because it can be made as the basis for stipulating of lease burden, making various policy, regulation, gift/giving of facility to condition of economics and monetary of state. The assessment of performance of a company can be known to pass calculation of financial ratio from all presented financial statement of company. In general, size measurement that is inveterate to be wearied can be differentiated into five especial categories:

1. Advantage ratio (ratio profitability), addressed to assess how well the amount of profit of the company.
2. Activity ratio (ratio activity), that is to measurement the efficiency of company operational activity and to lay open occurred problem during the time.
3. Leverage ratio (ratio leverage), addressed to measurement how well company capital structure.
4. Liquidities ratio (ratio liquidity), that is to measurement how company liquidity in fulfilling short-range obligation.
5. Growth ratio (ratio growth), that is to measure the ability of company to maintain its economics position in industrial and economic growth.

While according to the publication from Indonesia Stock Exchange, it indicates that performance company of public go for example of hitting its total asset, total of liabilities, total of equity, per share earning, value book, ratio earning price, value book price, equity to debt, investment on return, equity on return etcetera.

According to Wood et al. (1998) in Dongoran (2006), performance is size to measurement summary sum up and quality of individual or group of people's duty contributed at unit work and organization, or as amount and quality of yielded [job/activity]. Performance can be influenced by work satisfaction or on the contrary, it influences performance, or satisfaction and performance influenced by the region. On the other side performance oftentimes becomes used size measurement to determine passed to compensation storey; level is employees like pay merit, pay based skill even in stipulating of sharing gain and sharing profit

Performance size measurement vary depend on performance who is measured, is personal performance, group performance, unit performance, or organizational performance. Common Performance values measured are productivity, intention turnover of employees, trouble-shooting creativity, moral and motivation, improvement in circulars, participation and support, esteeming individual, good feed back, enable ness of team member and leader, personal responsibility sense of belonging and team, support, respect and paresis to the difference, skill and communications renewal of vision, margin contribution, mount accident security and in working loss, satisfaction of consumer, and ability improve long-range sources ( Robbins, 2001 in Dongoran, 2006).

In the public performance, dimension measured is not more then financial performance size measurement; if there are any financial performance size measurements. To be able to assess performance better it does not only need financial size measurement or just no financial size measurement, but also has to join financial size measured both, namely financial and no financial.

Norton Kaplan, 1996 (in Stede et al. 2006) tried to do approach measured company performance by considering four aspects or in perspective, those are; in perspective of

financial, in perspective of customer, internal business process, and learning process and expand process. The fourth perspectives represent vision translation effort, description and organizational strategy in operational terminology, can communicate and hook; correlate strategic target and its measurement, plan, specifying goals and harmonizing strategic initiative. With Balance Scorecard also can improve strategic feedback and study.

In its perspective of consumer, this performance is lionized to remember that there is relation between the perspective and satisfaction of consumer. In conventional business of contention maintains all old consumers and grabs all consumers newly represents a fair process. Before measuring rod applied, Norton Kaplan (1996) in Stede et al. (2006) suggested that company specifies and determines beforehand the market segment to become target and also identifies requirement and needs of all prospective consumers staying in the segment so that measuring rod earned is more focused.

Requirement of size measuring of deeper no financial of accounting management has to be continued better. From some, done with interview and survey, there are evidence that there is value more than no financial information. However, it is also needed more hitting understanding how real execution to use of financial size measurement and no financial in decision of performance (Chenhall and Mia 1994 in Stede et al. 2006).

A company is established as a mean to get profit. To meet the purposes, a company has to make good strategies along with their implementation. If strategy executed is better thus the performance in taking care will also be high, and will yield maximum profit.

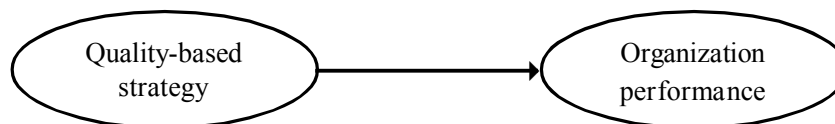
There is assorted of existing strategy to reach maximal performance. One of them is strategy pursuant to quality. This strategy includes; cover involvement of employees, progress of process, and inter department coordination.

By applying the strategy quality, it is expected to be able to yield better performance, which is when performance size measurement differentiated to become financial performance size measurement and no financial (internal operating, employee- orientation, consumer orientation).

Pursuant to literary study hence researcher will test, the existence of influence between quality-based strategy to performance in manufacturing business existed in Surakarta.

By paying attention to the variables used hence, this research framework consists of two:

1. Independent variable: quality-based strategy
2. Dependent variable: organization performance



**Figure 2**



### Hypothesis Development

A number of writers have evidence that extension of performance size measurement per shares improve organizational performance (Schiemann and Lingle 1996 in Stede et al. 2006). Its reason is that the manager is motivated to concentrate on activity, in which its performance is measured, oftentimes at the cost of other relevance, but the activity is not measured, and differentiations of larger size ones measure can lessen dysfunctional affect (Lillis, 2002 in Stede et al. 2006). Leveling off et al. (2001) in Stede et al. (2006) expresses that lacking of expense of measurement, lessening incentive pursuant to no financial size measurement can improve contrast through incorporation information in managerial action which do not is fully accepted by financial size measurement.

Literary study also notes the existence of potential insufficiency from differentiation of size measurement. The insufficiency gives impact of make-up of system merely complex asking for cognate ability from managers (Lusch and Ghosh 2000, Salterio and Lipe 2000 in Stede et al. 2006). That thing also improves burden in deciding relative weight from differentiation of the size measurement (Larcker and Ittner 1998 in Stede et al. 2006). Collapsible size measurement also duplicates potential conflict (manufacture efficiency and customer commutation), flange at inconsistency with a purpose to, at least in short range of time, and generate dissolution in organization.

In a time-series study at 18 hotels, Banker (2000) in Stede et al. (2006), found that when no financial size measurement packed into compensation contract, manager is more closed in equation of his effort at the size measurement, in make-up of performance. In addition, James Hoque (2000), Scott and Tiessen (1999) in Stede et al. (2006) found positive relation between company performance and improvement of use various type in performance size measurement (no financial and financial). The result as according to no financial performance size measurement of is including information addition, which is not reflected in financial size measurement.

At variance with differentiation of performance size measurement, there are theories express that performance measure system pursuant to company strategy and performance will be higher only if both are harmonized (Chenhall 2003; Fisher 1995; Langfield-Smith 1997 in Stede et al. 2006). In former research (Stede et al. 2006), the company strategy is used manufacture strategy pursuant to quality.

The specific reason to use pursuant to quality pursuant to quality is that initiative pursuant to quality has been doubted in its relevance in traditional financial measurement (Lillis and Albernehy 1995; Dixon. 1990 in Stede et al. 2006), and one of the ways where the doubts have been proved is through the extension of performance measurement system (Lillis 2002).

Larcker Ittner (1998) in Stede et al. (2006) says that there are only a few empirical evidences that show the relation among strategy, size measurement and performance. There are only some relations to manufacture strategy, and those are doubtful.

Lillis Abernethy (1995) in Stede et al. (2006) found that trust in traditional measurement pursuant to efficiency of the expense, and there are positive relations between performances with company using inflexible manufacture strategy. Hence, they do not test company performance combining nontraditional performance measurement with flexible manufacture strategy.

A research conducted by Ittner and Larcker (1995) in Stede et al. (2006) focused at company using program of its quality of continuation (TQM). They use 249-sample companies from computer and automobile companies in four states. They find that there are no supports to the theorem, according to other determinant at constant performance; the highest performance level has to be reached by organization using TQM practice, nontraditional information and reward system. Among the companies that widely use TQM, that is strong trust to nontraditional performance measurement has performance that is weak to be compared to company that does not widely use the criteria. In other study pursuant the same sample, and Ittner and Larcker (1997) test the relation among strategies pursuant to strategic operation practice and quality, including the importance of location, performance and of its quality in determining the managerial compensation. Performance influences ROA, ROS, growth of sale, and reported performance from merger of both totally and its result is not significant.

Both their findings (Larcker and Ittner) in 1995 and 1997 are very informative. The interest of Ittner and Larcker (1997) is that both industries in their samples are possibly very competitive with variation that is not adequate in variable to identify performance influence significance. Its limitation is that there is only certain study that has access to measure the importance in the placement of no financial performance and performance of its quality totally. There is no information concerning the use of size measurement type and amount in each type, what is possible is used to differentiate between subjective performance size measurement and its objective of no financial.

Said et al. (2003) in Stede et al. (2006) also tested the relationship between operational and the situation of the competition in the company and the work performance used, how far performance that include non-financial measurement in compensation. In the previous research that used 1441 companies, shown that the firms that are more focused on quality will use bigger non-financial measurement too. This research will try to harmonize between the measurements of work performances with the quality-based strategy.

H1: The firm that emphasizing more on quality-based strategy will have higher work performance when it matches work performance system with the owned strategies, namely when it widens the measurement of the work performance by including non-financial work performance, and not financial measurement only.

### **3. RESEARCH METHOD**

#### Measurement of Variables

##### 1. Quality-based strategy

The Measurement of Strategy in this research takes the measurement of manufacture strategy pursuant to quality. Strategy of quality consists of 7-question items that include the involvement of employees, progress of process, and inter department coordination.

1. Are non-management employees evaluated for quality performance?
2. Do non-management employees participate in quality improvement decisions?
3. Is building awareness about quality among non-management employees ongoing?
4. Is the quality of data performance shown in the range of work employees?
5. Are suggestion programs for quality improvement among non-management employees used?
6. Are programs in place to improve cycle-times (e.g. by reducing time-delays or non-value-added activities in manufacturing?)
7. Are programs in place to coordinate quality improvements with other departments within the organization?

The scores of the research to those questions cover 5 points of Likert's scale that ignore the low, average, high and very high scores.

##### 2. Organizational performance

Company Performance is the overall company performances so that it yields objective performance measurement. Construct Performance is defined as the degree of reached target in all level of dimensions, covering both financial and non-financial aspects. Its measurement uses self rating instrument that is established to evaluate the effectiveness of business of the used unit strategy.

The Used Performance measurement shall be as follows:

1. Financial size measurement.
2. Non-financial measurement; internal operation, employee's and customer's orientation.

Measurement of Performance used 4 questions concerning the performance in company that include:

1. financial performance in your department,
2. operational performance in your department,
3. employees oriented performance in your department,
4. consumer oriented performance in your department.

The scores of the research to those questions cover 5 points of Likert's scale those are beyond the average, average, above the average, and far above the average.

### Data and Collecting Data

In this research, the method used for collecting data of is questioner. Questioner is a list of written questions that has been formulated previously to be answered by the respondents, usually in clearly defined alternatives (Sekaran, 2006: ). Each of the response to the question has its own value used for the data analysis. Questioner is made pursuant to corresponding research reference that has been conducted by former researcher.

The data used in this research is the primary data that is the data obtained from survey by distributing the questioner to business manufactures in Surakarta. The criteria to select samples in this research shall be as follows;

1. Business manufactures which are enlisted in Department of Commerce and Industry of Surakarta.
2. Representing middle and small business manufactures.
3. Filling questioners completely and correctly based on the existing guideline provided in the questioner.

The criteria of the small business enterprise based on the Law no. 9 year 1995 are:

1. Possessing the net capital worth at most two hundred million rupiahs (Rp 200.000.000,00) not including property and the compound of the company.
2. Possessing the annual sales revenue at most one billion rupiahs (Rp 1.000.000.000, 00)
3. The Property of Indonesian citizen.
4. Self-supporting, not such a subsidiary company or branch of the company owned, mastered, or affiliated both directly or indirectly indirect to the middle and big companies.
5. In the form of private company, both legally registered and non-registered business institution, including cooperation.

While the criteria of the middle business enterprise are as follows:

1. Possessing 20-99 workers (according to the Center of Statistic Bureau).
2. Possessing the net capital worth two of hundred million rupiahs (Rp 200.000.000, 00) up to ten billion rupiahs (Rp 10.000.000.000, 00) (according to The State Minister of Cooperation and PKM).

### Regression Model

$$P = a + bSTG + e$$

Description:

- P = performance (financial and non-financial measurement)  
STG = strategy  
a = constantan  
e = error

#### 4. ANALYSIS AND DISCUSSION

##### Testing of the Assumption

The model of this research is simple regression analysis model. Therefore, it requires a test in the model assumption. The tests of assumptions conducted cover normality test, heteroscedasticity, and autocorrelation. However, before conducting the test of assumption model, it is prior to test the reliability and validity.

The Result of Hypothesis Testing.

**Table 1**  
**The result of Regression Analysis**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10.26154	1.965379	5.221152	0.0000*
STG	0.13007	0.079549	1.722306	0.0957**
<i>R-squared</i>		0.092796		
<i>Adjusted R-squared</i>		0.061513		
<i>F-statistic</i>		2.966338		
<i>Prob(F-statistic)</i>		0.095665		
** Statistically significant to the level of 0,1				
* Statistically significant to the level of 0,01				

Source: The result of data analysis

Pursuant to the result of the test in figure 1, it can be known that hypothesis is accepted. The value of probability of dependent variable (performance) = 0.0957. It means that the strategy has an effect on the significance of the performance at significant level of 0.1. The result of the test is consistent with result of the research conducted by Stede et al., that the company used strategy pursuant to quality and use financial and non-financial performance will have higher level of performances.

From tables 1 also can be known that value from R square and Adjusted (R square) is 0.092796 and 0.061513. Pursuant to Adjusted R square value, can be concluded that counted 6.15% dependent variable can be explained by independent variable and the rest counted 94.85% explained by other factor. Probability F-Statistic value (0.095665) < 0.10), meaning that independent variable have an effect on significant to dependent variable.

In this research also survey to measurement of performance in company which consists of:

1. Financial size measure
2. Objective size measure of no financial: internal operation, employee's orientation, consumer orientation

### 3. Subjective performance size measure

This measurement aim to know specific performance measurements indication which used by upstairs manager in performance measurements and evaluation in department. Summary result of calculation presented in Table 2 following.

**Table 2**  
**Result performance measures**

<b>Performance measurement</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std. Dev.</b>
Financial performance	0	9	4,77	3
Obj. Nonfinancial:				
1. internal operating	0	10	4,93	2
2. employee-oriented	1	8	4,64	1
3. customer-oriented	1	8	4,48	2
Subjective performance	1	7	4,16	1
Total numbers of measures	3	42	23	12
Percent Financial	0,00	0,21	0,21	0,26
1. percent internal operating	0,00	0,24	0,21	0,24
2. percent employee-oriented	0,33	0,19	0,20	0,16
3. percent customer-oriented	0,33	0,19	0,20	0,19
Percent Subj. Nonfinanc.	0,33	0,17	0,18	0,15

From Tables 2 above can be known that company performance size measure mean include; cover 21% financial size measure, 61% objective size measure of no financial, and 18% no financial subjective. More specific again for the size measure of is objective of no financial is 21% internal operation, 20% employee's orientation, and 20% consumer orientation. Conclusion which can be pulled from the calculation is that objective size measure of no financial more applied in differentiation of used performance size measure to do measurement of performance.

This research used criteria to assess performance including financial performance size measure, objective of no financial, and mirror no financial subjective in statement following

#### A. Financial performance measure

1. Deployment of assets (e.g., ROI) in your department.
2. Total gross margin or contribution margin in your department.
3. Unit gross margin or contribution margin (per individual product or product category).
4. Total manufacturing cost budget.
5. Unit manufacturing cost (per individual product or product category).
6. Manufacturing cost budget line items such as: a. labor cost variances b. material cost variances c. indirect cost (overhead) variances d. maintenance expenditures.

7. Dollar amount spent on manufacturing process improvements.
- B. Internal operating performance measures
  1. Production volume
  2. Labor productivity (e.g., hours used/hours available, overtime hours)
  3. Machine Productivity
  4. Material usage
  5. Setup efficiency
  6. Manufacturing cycle time
  7. Inventory
  8. Product defects
  9. New Product introductions
  10. New product-design efficiency
- C. Employee oriented measures for your department
  1. Employee satisfaction
  2. Employee skills
  3. Employee empowerment
  4. Safety
  5. Employee training/education
  6. Employee loyalty/turnover
  7. Absenteeism
- D. Costumer oriented performance measures for your department
  1. Market share
  2. Time to fill customer orders
  3. Delivery performance
  4. Time to respond to customer problems
  5. Flexibility/responsiveness
  6. Customer acquisition
  7. Customer retention/loyalty
- E. Subjective performance measures for your department
  1. My long-term perspective on the business
  2. My ability to effectively acquire new skills/knowledge
  3. My willingness to share knowledge within the organization
  4. My cooperation with other departments within the organization
  5. Employee spirit/morale in my department
  6. My management style/leadership skills
  7. My loyalty toward the firm

## **5. CONCLUSION, IMPLICATION, LIMITATION, AND SUGGESTION**

### **Conclusion**

Pursuant to analysis which have been done, researcher can conclude that hypothesis accepted because have fulfilled all done examination

- Raised question in this research is valid and reliable
- This research has fulfilled all assumption test classical, covering normality, multicollinearity, autocorrelation and heteroscedasticity.
- Result of examination influence between strategy pursuant to quality to make-up of performance by using financial performance size measure and no financial indicate that there are influence which is significant, that is more emphasizing at company of quality-based strategy will have higher level performance when performance size measure system matching with strategy had, that is when extending performance size measure system by including no financial performance size measure, do not only just financial size measure
- Showed party by company to make strategy have to pay attention company position, internal situation is environment and effort faced by company. Specially strategy pursuant to quality, that is include; cover involvement of employees, progress of process, and inter department coordination. Besides also have to fixed focus at company final purpose
- Manager have to pay attention used performance size measure to assess performance in company so that company performance as a whole become high and in line with which is specified

### **Implication**

- Conclude from this research give knowledge in detection of influence between strategies to performance in middle small manufacturing business. This research consistent by research by Stede et al. (2006).
- Strategy influence performance by significant all executive in company or all strategy maker have to be more reassert made strategy to organizational performance increasing.

### **Limitation**

In this research there is some limitation like following

- Used Sample in this research only middle and small scale manufacturing business exist in Surakarta.
- Used Variable in this research only two that is strategy and performance as independent (dependent) variable. Result of this research is there are influence between strategy to performance but only 8.68% dependent variable can be explained by independent



variable and the rest counted 91.32% explained by other factor. Become possible there is other variable which more having an effect on to performance in a company.

#### Suggestion

Suggestion for the research of hereinafter shall be as follows:

- Used Sample in broader research hereinafter. Do not only regional and just manufacturing business which used in sample more is extended.
- Independent variable which used in research is hereinafter suggested to be added. Because possible there is many other factor which have an effect on to performance in a in company, for example external environment, situation of political economy or for example by differentiating performance size measure that is objective of no financial subjective and no financial. Do not only financial size measure and just no financial.

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